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LEGEND:

Distributing =

Controlled =

Sub 1 =

Sub 2 =

Sub 3 =

Sub 4 =

Sub 5 =

Sub 6 =

Sub 7 =

Sub 8 =

Sub 9 =

Sub 10 =

LLC 1 =

LLC 2 =

LLC 3 =

Corporation A =

State A =

Country A =

Country B =

Business A =

Business B =

Business B1 =

Business B2 =

Business B3 =

Business B4 =

Brand A =

Brand B =

A =

B =

C =

D =

Year 1 =

Year 2 =

Date A =

Date B =

Date C =

Date D =

Date E =

Date F =

Date G =

Date H =

Dear :

This letter responds to your March 31, 2006 letter requesting rulings on certain federal income tax consequences of a series of proposed transactions. The information provided in that letter and in later correspondence is summarized below.

The rulings contained in this letter are based on facts and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. This office has not verified any of the materials submitted in support of the request for rulings. Verification of the information, representations, and other data may be required as part of the audit process. Moreover, this office has not reviewed any information pertaining to, and has made no determination regarding, whether the Distribution (described below): (i) satisfies the business purpose requirement of § 1.355-(2)(b) of the Income Tax Regulations, (ii) is used principally as a device for the distribution of the earnings and profits of the distributing corporation or the controlled corporation or both (see § 355(a)(1)(B) of the Internal Revenue Code and § 1.355-2(d)), or (iii) is part of a plan (or series of related transactions) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest in the distributing corporation or the controlled corporation (see § 355(e) and § 1.355-7).

SUMMARY OF FACTS

Distributing is a widely held publicly-traded corporation with a single class of voting common stock outstanding. Distributing is the common parent of an affiliated group whose includible corporations join in filing a consolidated federal income tax return (the "Consolidated Group"). Distributing wholly owns Sub 1, Sub 2, Sub 3 and Sub 4. Distributing owns the sole membership interest in LLC 1, an entity intended to be disregarded as separate from its owner for federal tax purposes under § 301.7701-3 of the Procedure and Administration Regulations (a "disregarded entity"). LLC 1 owns the sole membership interest in LLC 2, a disregarded entity.

Sub 5, a member of the Consolidated Group, has outstanding one class of voting common stock and two classes of non-voting preferred stock, Series A Preferred Stock and Series B Preferred Stock. LLC 2 wholly owns the Sub 5 common stock and the Sub 5 Series A Preferred Stock. Sub 9, a member of the Consolidated Group, wholly owns the Sub 5 Series B Preferred Stock.

Sub 5 wholly owns Sub 6. Sub 6 wholly owns Sub 7 and Sub 8.

Among other things, Distributing conducts Business A and Business B. Business B consists of, among other things, Business B1, Business B2, Business B3, and Business B4. Distributing has continuously conducted Business A during the five-year period ending on the date of the Distribution (defined below). Distributing acquired Sub 10 in Year 1. Sub 10 conducted Business B1 continuously since its acquisition by Distributing. In Year 2, Sub 10 merged into Distributing in a transaction qualifying as a § 332 liquidation. Thereafter, Distributing has conducted Business B1 directly.

Financial information submitted by Distributing indicates that Business A (as conducted by Distributing) and Business B1 (as conducted by Sub 10 and Distributing) each has had gross receipts and operating expenses representing the active conduct of a trade or business for each of the past five years.

PROPOSED TRANSACTIONS

For what are represented as valid business reasons, Distributing has proposed and partially undertaken the following series of transactions (the "Proposed Transactions"):

- (i) On Date A, Sub 1 merged into Distributing (the "Sub 1 Merger").
- (ii) Sub 2 will liquidate and distribute all of its assets to Distributing (the "Sub 2 Liquidation").
- (iii) Sub 3 will convert under State A law from a corporation to a single member limited liability company that will be a disregarded entity (the "Sub 3 Conversion").
- (iv) Sub 4 will liquidate and distribute all of its assets to Distributing (the "Sub 4 Liquidation").
- (v) Sub 7 will convert under State A law from a corporation to a single member limited liability company that will be a disregarded entity (the "Sub 7 Conversion").
- (vi) Sub 8 will convert under State A law from a corporation to a single member limited liability company that will be a disregarded entity (the "Sub 8 Conversion").
- (vii) Sub 6 will convert under State A law from a corporation to a single member limited liability company that will be a disregarded entity (the "Sub 6 Conversion").

- (viii) Distributing will contribute its Brand A family of trademarks to a newly formed limited liability company ("Trademark Subsidiary1") in exchange for a membership interest in Trademark Subsidiary1 and a demand note in an amount up to \$A (the "Note") issued by Trademark Subsidiary1 to Distributing. As part of the same transaction, Sub 5 will contribute to Trademark Subsidiary1 a Brand A trademark registered in Country A and in Country B in exchange for a membership interest in Trademark Subsidiary1 (collectively, the "TS1 Transaction"). Trademark Subsidiary1 will elect to be treated as a corporation for federal income tax purposes effective as of the date of its formation. After step (ix) below, Sub 5 will distribute its Trademark Subsidiary1 membership interest to Distributing. In the Contribution (described below in step (xi)), Distributing will contribute, among other things, all of the Trademark Subsidiary1 membership interest to Controlled.
- (ix) Sub 5 will adopt a plan of liquidation and as part of the plan of liquidation, Sub 5 will (1) redeem all of its Series A Preferred Stock from LLC 2 for cash, (2) redeem all of its Series B Preferred Stock from Sub 9 for cash, and (3) convert under State A law from a corporation to a single member limited liability company that will be a disregarded entity (collectively, the "Sub 5 Liquidation").
- (x) Distributing will contribute the following to a newly formed limited liability company ("Trademark Subsidiary2") in exchange for all of the membership interest of Trademark Subsidiary2: (i) all of Distributing's trademarks related to Business B other than the Brand A family of trademarks; (ii) Distributing's membership interest in LLC 3 (a disregarded entity that holds rights to certain European trademarks); and (iii) Distributing's 50-percent common stock interest in Corporation A (which indirectly holds an interest in a Brand B trademark) (the foregoing property is referred to collectively as the "Other Trademark Property") (such transaction, the "TS2 Transaction"). Trademark Subsidiary2 will elect to be treated as a corporation for federal income tax purposes effective as of the date of its formation. In the Contribution (described below in step (xi)), Distributing will contribute, among other things, the Trademark Subsidiary2 membership interest to Controlled.
- (xi) On or about Date B, Distributing will transfer the following assets to a newly formed subsidiary ("Controlled"): (i) the Business B assets and liabilities (including Business B1) held by Distributing (including the assets and liabilities deemed held by Distributing through disregarded entities (taking into account the foregoing steps)); and (ii) the stock of each of its subsidiaries owning Business B assets (other than the aforementioned disregarded entities) (collectively, the "Contributed Assets"). Controlled will borrow up to \$B in cash from one or more unrelated third parties. In exchange for the Contributed Assets, Controlled will

transfer to Distributing (i) Controlled common stock and (ii) up to \$C in cash (the "Cash Amount"). The foregoing exchange of this consideration for the Contributed Assets is referred to as the "Contribution."

In pursuance of the plan of reorganization, Distributing will segregate the entire Cash Amount into a separate bank account. Over the 12-month period following the Distribution, Distributing will use the Cash Amount to retire indebtedness of Distributing and to distribute to shareholders (either by repurchasing shares of Distributing common stock or by making dividend distributions to holders of Distributing common stock).

- (xii) On or about Date C, Distributing will distribute pro rata its Controlled stock to its shareholders (the "Distribution"). Distributing will distribute cash in lieu of issuing a fractional share of Controlled stock to any shareholder that would otherwise be entitled to receive a fractional share of Controlled stock.
- (xiii) On or about the date of the Distribution, Trademark Subsidiary1 will borrow up to approximately \$A from an independent third party. Controlled is expected to provide a guaranty in respect of such indebtedness. The indebtedness will be indebtedness of Trademark Subsidiary1 for federal income tax purposes and will remain outstanding for at least two years. Upon demand by Distributing, Trademark Subsidiary1 will use the cash proceeds of the indebtedness to repay the outstanding principal balance on the Note (along with accrued interest on the Note).

In connection with the Proposed Transactions, Distributing and Controlled will enter into a (i) Master Separation Agreement, (ii) Tax Sharing Agreement, (iii) Employee Matters Agreement, (iv) Master Transition Services Agreement, (v) Real Estate Matters Agreement, (vi) Indemnification and Insurance Matters Agreement, and (vii) an Intellectual Property Matters Agreement (collectively, the "Separation Agreements").

REPRESENTATIONS

Sub 1 Merger

Distributing makes the following representations regarding the Sub 1 Merger described above in step (i):

- (a1) Distributing, on the date of adoption of the plan of merger, and at all times until the effective date of the merger, was the owner of at least 80 percent of the single outstanding class of Sub 1 stock.
- (b1) No shares of Sub 1 stock were redeemed during the three years preceding the adoption of the plan of merger of Sub 1.

- (c1) By operation of law, all transfers from Sub 1 to Distributing pursuant to the plan of merger occurred on the effective date of the merger.
- (d1) As soon as the merger occurred, Sub 1 ceased to exist.
- (e1) Sub 1 retained no assets following the merger.
- (f1) Sub 1 did not acquire assets in any nontaxable transaction at any time, except for acquisitions occurring more than three years prior to the date of adoption of the plan of merger.
- (g1) No assets of Sub 1 were disposed of by either Sub 1 or Distributing except for dispositions in the ordinary course of business, dispositions occurring more than three years prior to adoption of the plan of merger, and transfers occurring as part of the proposed transaction.
- (h1) The Sub 1 Merger will not be preceded or followed by the reincorporation in, or transfer or sale to, a recipient corporation (Recipient) of any of the businesses or assets of Sub 1, if persons holding, directly or indirectly, more than 20 percent in value of the Sub 1 stock also hold, directly or indirectly, more than 20 percent in value of the stock in Recipient. For purposes of this representation, ownership will be determined immediately after the Distribution and by application of the constructive ownership rules of § 318(a) as modified by § 304(c)(3).
- (i1) Prior to adoption of the merger plan, no assets of Sub 1 were distributed in kind, transferred, or sold to Distributing, except for (i) transactions occurring in the normal course of business and (ii) transactions occurring more than three years prior to adoption of the merger plan.
- (j1) Sub 1 will report all earned income represented by assets that were acquired by Distributing such as receivables being reported on a cash basis, unfinished construction contracts, commissions due, etc.
- (k1) The fair market value of the assets of Sub 1 exceeded its liabilities both at the date of the adoption of the plan of merger and immediately prior to the time the merger occurred.
- (l1) No intercorporate debt between Sub 1 and Distributing was cancelled, forgiven, or discounted during the period commencing three years prior to adoption of the plan of merger and ending with the merger.
- (m1) Distributing is not an organization that is exempt from federal income tax under § 501 or any other provision of the Code.

- (n1) All other transactions undertaken contemporaneously with, in anticipation of, in conjunction with, or in any way related to, the merger have been fully disclosed.

Sub 2 Liquidation

Distributing makes the following representations regarding the Sub 2 Liquidation described above in step (ii):

- (a2) Distributing, on the date of adoption of the plan of liquidation, and at all times until the final liquidating distribution is completed, will be the owner of at least 80 percent of the total combined voting power of all classes of stock of Sub 2 entitled to vote and the owner of at least 80 percent of the total value of all classes of stock (excluding nonvoting stock that is limited and preferred as to dividends and otherwise meets the requirements of § 1504(a)(4)).
- (b2) No shares of Sub 2 stock will have been redeemed during the three years preceding the adoption of the plan of complete liquidation of Sub 2.
- (c2) All distributions from Sub 2 to Distributing pursuant to the plan of complete liquidation will be made within a single taxable year of Sub 2.
- (d2) As soon as the first liquidating distribution has been made, Sub 2 will cease to be a going concern and its activities will be limited to winding up its affairs, paying its debts, and distributing its remaining assets to its shareholder.
- (e2) Sub 2 will retain no assets following the final liquidating distribution.
- (f2) Sub 2 will not have acquired assets in any nontaxable transaction at any time, except for acquisitions occurring more than three years prior to the date of adoption of the plan of liquidation.
- (g2) No assets of Sub 2 have been, or will be, disposed of by either Sub 2 or Distributing except for dispositions in the ordinary course of business, dispositions occurring more than three years prior to adoption of the plan of liquidation, and transfers occurring as part of the proposed transaction.
- (h2) The liquidation of Sub 2 will not be preceded or followed by the reincorporation in, or transfer or sale to, a recipient corporation (Recipient) of any of the businesses or assets of Sub 2, if persons holding, directly or indirectly, more than 20 percent in value of the Sub 2 stock also hold, directly or indirectly, more than 20 percent in value of the stock in Recipient. For purposes of this representation, ownership will be determined immediately after the Distribution and by

application of the constructive ownership rules of § 318(a) as modified by § 304(c)(3).

- (i2) Prior to adoption of the liquidation plan, no assets of Sub 2 will have been distributed in kind, transferred, or sold to Distributing, except for (i) transactions occurring in the normal course of business and (ii) transactions occurring more than three years prior to adoption of the liquidation plan.
- (j2) Sub 2 will report all earned income represented by assets that will be distributed to Distributing such as receivables being reported on a cash basis, unfinished construction contracts, commissions due, etc.
- (k2) The fair market value of the assets of Sub 2 will exceed its liabilities both at the date of the adoption of the plan of complete liquidation and immediately prior to the time the first liquidating distribution is made.
- (l2) There is no intercorporate debt existing between Sub 2 and Distributing and none has been cancelled, forgiven, or discounted, except for transactions that occurred more than three years prior to the date of adoption of the liquidation plan (or, alternatively, if such date is later) except for transactions occurring prior to the date Distributing initially acquired Sub 2 stock.
- (m2) Distributing is not an organization that is exempt from federal income tax under § 501 or any other provision of the Code.
- (n2) All other transactions undertaken contemporaneously with, in anticipation of, in conjunction with, or in any way related to, the proposed liquidation of Sub 2 have been fully disclosed.

Sub 3 Conversion

Distributing makes the following representations regarding the Sub 3 Conversion described above in step (iii):

- (a3) Distributing, on the date of adoption of the plan of conversion, and at all times until the deemed liquidation occurs, will be the owner of at least 80 percent of the single outstanding class of Sub 3 stock.
- (b3) No shares of Sub 3 stock will have been redeemed during the three years preceding the adoption of the plan of conversion of Sub 3.
- (c3) All distributions from Sub 3 to Distributing pursuant to the plan of conversion will be deemed to occur within a single taxable year of Sub 3.

- (d3) When the conversion occurs, Sub 3 will cease to exist for federal income tax purposes.
- (e3) For federal income tax purposes, Sub 3 will retain no assets following the deemed liquidation.
- (f3) Sub 3 will not have acquired assets in any nontaxable transaction at any time, except for acquisitions occurring more than three years prior to the date of adoption of the plan of conversion.
- (g3) No assets of Sub 3 have been, or will be, disposed of by either Sub 3 or Distributing except for dispositions in the ordinary course of business, dispositions occurring more than three years prior to adoption of the plan of conversion, and transfers occurring as part of the proposed transaction.
- (h3) The deemed liquidation of Sub 3 will not be preceded or followed by the reincorporation in, or transfer or sale to, a recipient corporation (Recipient) of any of the businesses or assets of Sub 3, if persons holding, directly or indirectly, more than 20 percent in value of the Sub 3 stock also hold, directly or indirectly, more than 20 percent in value of the stock in Recipient. For purposes of this representation, ownership will be determined immediately after the Distribution and by application of the constructive ownership rules of § 318(a) as modified by § 304(c)(3).
- (i3) Prior to adoption of the conversion plan, no assets of Sub 3 will have been distributed in kind, transferred, or sold to Distributing, except for (i) transactions occurring in the normal course of business and (ii) transactions occurring more than three years prior to adoption of the conversion plan.
- (j3) Sub 3 will report all earned income represented by assets that will be distributed to Distributing such as receivables being reported on a cash basis, unfinished construction contracts, commissions due, etc.
- (k3) The fair market value of the assets of Sub 3 will exceed its liabilities both at the date of the adoption of the plan of conversion and immediately prior to the deemed liquidation.
- (l3) No intercorporate debt between Sub 3 and Distributing was cancelled, forgiven, or discounted during the period commencing three years prior to adoption of the plan of conversion and ending with the conversion.
- (m3) Distributing is not an organization that is exempt from federal income tax under § 501 or any other provision of the Code.

- (n3) All other transactions undertaken contemporaneously with, in anticipation of, in conjunction with, or in any way related to, the proposed deemed liquidation of Sub 3 have been fully disclosed.

Sub 4 Liquidation

Distributing makes the following representations regarding the Sub 4 Liquidation described above in step (iv):

- (a4) Distributing, on the date of adoption of the plan of liquidation, and at all times until the final liquidating distribution is completed, will be the owner of at least 80 percent of the single outstanding class of Sub 4 stock.
- (b4) No shares of Sub 4 stock will have been redeemed during the three years preceding the adoption of the plan of complete liquidation of Sub 4.
- (c4) All distributions from Sub 4 to Distributing pursuant to the plan of complete liquidation will be made within a single taxable year of Sub 4.
- (d4) As soon as the first liquidating distribution has been made, Sub 4 will cease to be a going concern and its activities will be limited to winding up its affairs, paying its debts, and distributing its remaining assets to its shareholder.
- (e4) Sub 4 will retain no assets following the final liquidating distribution.
- (f4) Sub 4 will not have acquired assets in any nontaxable transaction at any time, except for acquisitions occurring more than three years prior to the date of adoption of the plan of liquidation.
- (g4) No assets of Sub 4 have been, or will be, disposed of by either Sub 4 or Distributing except for dispositions in the ordinary course of business, dispositions occurring more than three years prior to adoption of the plan of liquidation, and transfers occurring as part of the proposed transaction.
- (h4) The liquidation of Sub 4 will not be preceded or followed by the reincorporation in, or transfer or sale to, a recipient corporation (Recipient) of any of the businesses or assets of Sub 4, if persons holding, directly or indirectly, more than 20 percent in value of the Sub 4 stock also hold, directly or indirectly, more than 20 percent in value of the stock in Recipient. For purposes of this representation, ownership will be determined immediately after the Distribution and by application of the constructive ownership rules of § 318(a) as modified by § 304(c)(3).

- (i4) Prior to adoption of the liquidation plan, no assets of Sub 4 will have been distributed in kind, transferred, or sold to Distributing, except for (i) transactions occurring in the normal course of business and (ii) transactions occurring more than three years prior to adoption of the liquidation plan.
- (j4) Sub 4 will report all earned income represented by assets that will be distributed to Distributing such as receivables being reported on a cash basis, unfinished construction contracts, commissions due, etc.
- (k4) The fair market value of the assets of Sub 4 will exceed its liabilities both at the date of the adoption of the plan of complete liquidation and immediately prior to the time the first liquidating distribution is made.
- (l4) No intercorporate debt between Sub 4 and Distributing was cancelled, forgiven, or discounted during the period commencing three years prior to adoption of the plan of liquidation and ending with the liquidation.
- (m4) Distributing is not an organization that is exempt from federal income tax under § 501 or any other provision of the Code.
- (n4) All other transactions undertaken contemporaneously with, in anticipation of, in conjunction with, or in any way related to, the proposed liquidation of Sub 4 have been fully disclosed.

Sub 7 Conversion

Distributing makes the following representations regarding the Sub 7 Conversion described above in step (v):

- (a5) Sub 6, on the date of adoption of the plan of conversion, and at all times until the deemed liquidation occurs, will be the owner of at least 80 percent of the single outstanding class of Sub 7 stock.
- (b5) No shares of Sub 7 stock will have been redeemed during the three years preceding the adoption of the plan of conversion of Sub 7.
- (c5) All distributions from Sub 7 to Sub 6 pursuant to the plan of conversion will be deemed to occur within a single taxable year of Sub 7.
- (d5) When the conversion occurs, Sub 7 will cease to exist for federal income tax purposes.
- (e5) For federal income tax purposes, Sub 7 will retain no assets following the deemed liquidation.

- (f5) Sub 7 will not have acquired assets in any nontaxable transaction at any time, except for acquisitions occurring more than three years prior to the date of adoption of the plan of conversion.
- (g5) No assets of Sub 7 have been, or will be, disposed of by either Sub 7 or Sub 6 except for dispositions in the ordinary course of business, dispositions occurring more than three years prior to adoption of the plan of conversion, and transfers occurring as part of the proposed transaction.
- (h5) The deemed liquidation of Sub 7 will not be preceded or followed by the reincorporation in, or transfer or sale to, a recipient corporation (Recipient) of any of the businesses or assets of Sub 7, if persons holding, directly or indirectly, more than 20 percent in value of the Sub 7 stock also hold, directly or indirectly, more than 20 percent in value of the stock in Recipient. For purposes of this representation, ownership will be determined immediately after the Distribution and by application of the constructive ownership rules of § 318(a) as modified by § 304(c)(3).
- (i5) Prior to adoption of the conversion plan, no assets of Sub 7 will have been distributed in kind, transferred, or sold to Sub 6, except for (i) transactions occurring in the normal course of business and (ii) transactions occurring more than three years prior to adoption of the conversion plan.
- (j5) Sub 7 will report all earned income represented by assets that will be distributed to Sub 6 such as receivables being reported on a cash basis, unfinished construction contracts, commissions due, etc.
- (k5) The fair market value of the assets of Sub 7 will exceed its liabilities both at the date of the adoption of the plan of conversion and immediately prior to the deemed liquidation.
- (l5) There is no intercorporate debt existing between Sub 6 and Sub 7 and none has been cancelled, forgiven, or discounted, except for transactions that occurred more than three years prior to the date of adoption of the conversion plan (or, alternatively, if such date is later) except for transactions occurring prior to the date Sub 6 initially acquired Sub 7 stock.
- (m5) Sub 6 is not an organization that is exempt from federal income tax under § 501 or any other provision of the Code.
- (n5) All other transactions undertaken contemporaneously with, in anticipation of, in conjunction with, or in any way related to, the proposed deemed liquidation of Sub 7 have been fully disclosed.

Sub 8 Conversion

Distributing makes the following representations regarding the Sub 8 Conversion described above in step (vi):

- (a6) Sub 6, on the date of adoption of the plan of conversion, and at all times until the deemed liquidation occurs, will be the owner of at least 80 percent of the single outstanding class of Sub 8 stock.
- (b6) No shares of Sub 8 stock will have been redeemed during the three years preceding the adoption of the plan of conversion of Sub 8.
- (c6) All distributions from Sub 8 to Sub 6 pursuant to the plan of conversion will be deemed to occur within a single taxable year of Sub 8.
- (d6) When the conversion occurs, Sub 8 will cease to exist for federal income tax purposes.
- (e6) For federal income tax purposes, Sub 8 will retain no assets following the deemed liquidation.
- (f6) Sub 8 will not have acquired assets in any nontaxable transaction at any time, except for acquisitions occurring more than three years prior to the date of adoption of the plan of conversion.
- (g6) No assets of Sub 8 have been, or will be, disposed of by either Sub 8 or Sub 6 except for dispositions in the ordinary course of business, dispositions occurring more than three years prior to adoption of the plan of conversion, and transfers occurring as part of the proposed transaction.
- (h6) The deemed liquidation of Sub 8 will not be preceded or followed by the reincorporation in, or transfer or sale to, a recipient corporation (Recipient) of any of the businesses or assets of Sub 8, if persons holding, directly or indirectly, more than 20 percent in value of the Sub 8 stock also hold, directly or indirectly, more than 20 percent in value of the stock in Recipient. For purposes of this representation, ownership will be determined immediately after the Distribution and by application of the constructive ownership rules of § 318(a) as modified by § 304(c)(3).
- (i6) Prior to adoption of the conversion plan, no assets of Sub 8 will have been distributed in kind, transferred, or sold to Sub 6, except for (i) transactions occurring in the normal course of business and (ii) transactions occurring more than three years prior to adoption of the conversion plan.

- (j6) Sub 8 will report all earned income represented by assets that will be distributed to Sub 6 such as receivables being reported on a cash basis, unfinished construction contracts, commissions due, etc.
- (k6) The fair market value of the assets of Sub 8 will exceed its liabilities both at the date of the adoption of the plan of conversion and immediately prior to the deemed liquidation.
- (l6) There is no intercorporate debt existing between Sub 6 and Sub 8 and none has been cancelled, forgiven, or discounted, except for transactions that occurred more than three years prior to the date of adoption of the conversion plan (or, alternatively, if such date is later) except for transactions occurring prior to the date Sub 6 initially acquired Sub 8 stock.
- (m6) Sub 6 is not an organization that is exempt from federal income tax under § 501 or any other provision of the Code.
- (n6) All other transactions undertaken contemporaneously with, in anticipation of, in conjunction with, or in any way related to, the proposed deemed liquidation of Sub 8 have been fully disclosed.

Sub 6 Conversion

Distributing makes the following representations regarding the Sub 6 Conversion described above in step (vii):

- (a7) Sub 5, on the date of adoption of the plan of conversion, and at all times until the deemed liquidation occurs, will be the owner of at least 80 percent of the single outstanding class of Sub 6 stock.
- (b7) No shares of Sub 6 stock will have been redeemed during the three years preceding the adoption of the plan of conversion of Sub 6.
- (c7) All distributions from Sub 6 to Sub 5 pursuant to the plan of conversion will be deemed to occur within a single taxable year of Sub 6.
- (d7) When the conversion occurs, Sub 6 will cease to exist for federal income tax purposes.
- (e7) For federal income tax purposes, Sub 6 will retain no assets following the deemed liquidation.

- (f7) Other than the transfer on Date D by Sub 5 to Sub 6 of Distributing common stock with a value of \$D in a § 351 transaction, Sub 6 will not have acquired assets in any nontaxable transaction at any time, except for acquisitions occurring more than three years prior to the date of adoption of the plan of conversion and acquisitions occurring as part of the proposed transaction.
- (g7) No assets of Sub 6 have been, or will be, disposed of by either Sub 6 or Sub 5 except for dispositions in the ordinary course of business, dispositions occurring more than three years prior to adoption of the plan of conversion, and transfers occurring as part of the proposed transaction.
- (h7) The deemed liquidation of Sub 6 will not be preceded or followed by the reincorporation in, or transfer or sale to, a recipient corporation (Recipient) of any of the businesses or assets of Sub 6, if persons holding, directly or indirectly, more than 20 percent in value of the Sub 6 stock also hold, directly or indirectly, more than 20 percent in value of the stock in Recipient. For purposes of this representation, ownership will be determined immediately after the Distribution and by application of the constructive ownership rules of § 318(a) as modified by § 304(c)(3).
- (i7) Prior to adoption of the conversion plan, no assets of Sub 6 will have been distributed in kind, transferred, or sold to Sub 5, except for (i) transactions occurring in the normal course of business and (ii) transactions occurring more than three years prior to adoption of the conversion plan.
- (j7) Sub 6 will report all earned income represented by assets that will be distributed to Sub 5 such as receivables being reported on a cash basis, unfinished construction contracts, commissions due, etc.
- (k7) The fair market value of the assets of Sub 6 will exceed its liabilities both at the date of the adoption of the plan of conversion and immediately prior to the deemed liquidation.
- (l7) Sub 5 is not an organization that is exempt from federal income tax under § 501 or any other provision of the Code.
- (m7) All other transactions undertaken contemporaneously with, in anticipation of, in conjunction with, or in any way related to, the proposed deemed liquidation of Sub 6 have been fully disclosed.
- (n7) No intercorporate debt between Sub 5 and Sub 6 was cancelled, forgiven, or discounted during the period commencing three years prior to adoption of the plan of conversion and ending with the conversion.

TS1 Transaction

Distributing makes the following representations regarding the TS1 Transaction described above in step (viii):

- (a8) (i) No stock or securities will be issued for services rendered to or for the benefit of Trademark Subsidiary1 in connection with the proposed transaction, and (ii) no stock or securities will be issued for indebtedness of Trademark Subsidiary1 that is not evidenced by a security or for interest on indebtedness of Trademark Subsidiary1 which accrued on or after the beginning of the holding period of the transferors for the debt.
- (b8) Neither Distributing nor Sub 5 will retain any significant power, right, or continuing interest, within the meaning of § 1253(b), in the franchises, trademarks or trade names being transferred.
- (c8) The transfer is not the result of the solicitation by a promoter, broker, or investment house.
- (d8) Neither Distributing nor Sub 5 will retain any rights in the property transferred to Trademark Subsidiary1.
- (e8) The value of the stock received in exchange for accounts receivable, if any, will be equal to the net value of the accounts transferred, i.e. the face amount of the accounts receivable previously included in income less the amount of the reserve for bad debts.
- (f8) The total adjusted basis of the assets transferred to Trademark Subsidiary1 by Distributing and Sub 5 will, in each instance, equal or exceed the total liabilities assumed (within the meaning of § 357(d)) by Trademark Subsidiary1.
- (g8) The total fair market value of the assets transferred to Trademark Subsidiary1 by Distributing and Sub 5 will, in each instance, exceed the sum of (a) the amount of liabilities assumed (as determined under § 357(d)) by Trademark Subsidiary1 in connection with the exchange, (b) the amount of liabilities owed to Trademark Subsidiary1 by Distributing and Sub 5 that are discharged or extinguished in connection with the exchange, and (c) the amount of any money and the fair market value of any other property (other than stock permitted to be received under § 351(a) without the recognition of gain) received by Distributing and Sub 5 in connection with the exchange. The fair market value of the assets of Trademark Subsidiary1 will exceed the amount of its liabilities immediately after the exchange.

- (h8) Any liabilities of Distributing and Sub 5 assumed (within the meaning of § 357(d)) by Trademark Subsidiary1 were incurred in the ordinary course of business and are associated with the assets being transferred.
- (i8) The aggregate fair market value of the assets transferred to Trademark Subsidiary1 by Distributing and Sub 5 will equal or exceed the aggregate adjusted bases of such assets immediately after the exchange.
- (j8) Other than the Note, there is no indebtedness between Trademark Subsidiary1 and either Distributing or Sub 5 and there will be no indebtedness created in favor of Distributing or Sub 5 as a result of the transaction.
- (k8) The transfers and exchanges will occur under a plan agreed upon before the transaction in which the rights of the parties are defined.
- (l8) All exchanges will occur on approximately the same date.
- (m8) There is no plan or intention on the part of Trademark Subsidiary1 to redeem or otherwise reacquire any stock or indebtedness to be issued in the proposed transaction.
- (n8) Taking into account any issuance of additional shares of Trademark Subsidiary1 stock; any issuance of stock for services; the exercise of any Trademark Subsidiary1 stock rights, warrants, or subscriptions; any public offering of Trademark Subsidiary1 stock; and the sale, exchange, transfer by gift, or other disposition of any of the stock of Trademark Subsidiary1 to be received in the exchange (other than the transfer of Sub 5's stock interest in Trademark Subsidiary 1 to Distributing in the Sub 5 Liquidation and the transfer of such interest in the Contribution), Distributing and Sub 5 will be in control of Trademark Subsidiary1 within the meaning of § 368(c).
- (o8) Distributing and Sub 5 will receive stock, securities or other property approximately equal to the fair market value of the property transferred to Trademark Subsidiary1 or for services rendered or to be rendered for the benefit of Trademark Subsidiary1.
- (p8) Trademark Subsidiary1 will remain in existence and retain and use the property transferred to it in a trade or business.
- (q8) There is no plan or intention by Trademark Subsidiary1 to dispose of the transferred property other than in the normal course of business operations.
- (r8) Each of the parties to the transaction will pay its or his/her own expenses, if any, incurred in connection with the proposed transaction.

- (s8) Trademark Subsidiary¹ will not be an investment company within the meaning of § 351(e)(1) and § 1.351-1(c)(1)(ii).
- (t8) Neither Distributing nor Sub 5 is under the jurisdiction of a court in a title 11 or similar case (within the meaning of § 368(a)(3)(A)) and the stock or securities received in the exchange will not be used to satisfy the indebtedness of such debtor.
- (u8) Trademark Subsidiary¹ will not be a personal service corporation within the meaning of § 269A.

Sub 5 Liquidation

Distributing makes the following representations regarding the Sub 5 Liquidation described above in step (ix):

- (a9) Distributing, on the date of adoption of the plan of conversion/liquidation, and at all times until the conversion/deemed liquidation is completed, will be the owner of at least 80 percent of the total combined voting power of all classes of stock of Sub 5 entitled to vote and the owner of at least 80 percent of the total value of all classes of stock (excluding nonvoting stock that is limited and preferred as to dividends and otherwise meets the requirements of § 1504(a)(4)).
- (b9) No shares of Sub 5 stock will have been redeemed during the three years preceding the adoption of the plan of conversion/liquidation of Sub 5.
- (c9) All actual and deemed distributions from Sub 5 to Distributing pursuant to the plan of conversion/liquidation will occur within a single taxable year of Sub 5.
- (d9) When the conversion occurs, Sub 5 will cease to exist for federal income tax purposes.
- (e9) For federal income tax purposes, Sub 5 will retain no assets following the deemed liquidation.
- (f9) Other than the acquisition of property by Sub 5 in an exchange described in § 351 on each of Date E, Date F, Date G, and Date H, Sub 5 will not have acquired assets in any nontaxable transaction at any time, except for acquisitions occurring more than three years prior to the date of adoption of the plan of conversion/liquidation and acquisitions occurring as part of the proposed transaction.

- (g9) No assets of Sub 5 have been, or will be, disposed of by either Sub 5 or Distributing except for dispositions in the ordinary course of business, dispositions occurring more than three years prior to adoption of the plan of conversion/liquidation, transfers occurring as part of the proposed transaction, and transfers and sales disclosed in the ruling request.
- (h9) The deemed liquidation of Sub 5 will not be preceded or followed by the reincorporation in, or transfer or sale to, a recipient corporation (Recipient) of any of the businesses or assets of Sub 5, if persons holding, directly or indirectly, more than 20 percent in value of the Sub 5 stock also hold, directly or indirectly, more than 20 percent in value of the stock in Recipient. For purposes of this representation, ownership will be determined immediately after the Distribution and by application of the constructive ownership rules of § 318(a) as modified by § 304(c)(3).
- (i9) Prior to adoption of the conversion/liquidation plan, no assets of Sub 5 will have been distributed in kind, transferred, or sold to Distributing, except for (i) transactions occurring in the normal course of business and (ii) transactions occurring more than three years prior to adoption of the conversion/liquidation plan.
- (j9) Sub 5 will report all earned income represented by assets that will be distributed to its shareholders such as receivables being reported on a cash basis, unfinished construction contracts, commissions due, etc.
- (k9) The fair market value of the assets of Sub 5 will exceed its liabilities both at the date of the adoption of the plan of conversion/liquidation and immediately prior to the time the first liquidating distribution is made.
- (l9) No intercorporate debt between Sub 5 and Distributing was cancelled, forgiven, or discounted during the period commencing three years prior to adoption of the plan of conversion/liquidation and ending with the conversion/liquidation.
- (m9) Distributing is not an organization that is exempt from federal income tax under § 501 or any other provision of the Code.
- (n9) The fair market value of the consideration received by Distributing and by the minority shareholder for each share of Sub 5 stock will approximately equal the fair market value of that stock.
- (o9) None of the assets being distributed by Sub 5 to the minority shareholder in redemption of its stock (i) has a fair market value greater than its basis in the hands of Sub 5, (ii) is an installment obligation, (iii) is property described in the

recapture provisions of the Code, or (iv) is property for which Sub 5 obtained a deduction.

- (p9) All other transactions undertaken contemporaneously with, in anticipation of, in conjunction with, or in any way related to, the proposed liquidation/conversion of Sub 5 have been fully disclosed.

TS2 Transaction

Distributing makes the following representations regarding the TS2 Transaction described above in step (x):

- (a10) (i) No stock or securities will be issued for services rendered to or for the benefit of Trademark Subsidiary2 in connection with the proposed transaction, and (ii) no stock or securities will be issued for indebtedness of Trademark Subsidiary2 that is not evidenced by a security or for interest on indebtedness of Trademark Subsidiary2 which accrued on or after the beginning of the holding period of the transferor for the debt.
- (b10) Distributing will not retain any significant power, right, or continuing interest, within the meaning of § 1253(b), in the franchises, trademarks or trade names being transferred.
- (c10) The transfer is not the result of the solicitation by a promoter, broker, or investment house.
- (d10) Distributing will not retain any rights in the property transferred to Trademark Subsidiary2.
- (e10) The value of the stock received in exchange for accounts receivable, if any, will be equal to the net value of the accounts transferred, i.e. the face amount of the accounts receivable previously included in income less the amount of the reserve for bad debts.
- (f10) Any debt relating to the stock being transferred that is being assumed (or to which such stock is subject) was incurred to acquire such stock and was incurred when such stock was acquired, and Distributing is transferring all of the stock for which the acquisition indebtedness being assumed (or to which such stock is subject) was incurred.
- (g10) The total adjusted basis of the assets transferred to Trademark Subsidiary2 by Distributing will equal or exceed the total liabilities assumed (within the meaning of § 357(d)) by Trademark Subsidiary2.

- (h10) The total fair market value of the assets transferred to Trademark Subsidiary2 by Distributing will exceed the sum of (a) the amount of liabilities assumed (as determined under § 357(d)) by Trademark Subsidiary2 in connection with the exchange, (b) the amount of liabilities owed to Trademark Subsidiary2 by Distributing that are discharged or extinguished in connection with the exchange, and (c) the amount of any money and the fair market value of any other property (other than stock permitted to be received under § 351(a) without the recognition of gain) received by Distributing in connection with the exchange. The fair market value of the assets of Trademark Subsidiary2 will exceed the amount of its liabilities immediately after the exchange.
- (i10) Any liabilities of Distributing assumed (within the meaning of § 357(d)) by Trademark Subsidiary2 were incurred in the ordinary course of business and are associated with the assets being transferred.
- (j10) The aggregate fair market value of the assets transferred to Trademark Subsidiary2 by Distributing will equal or exceed the aggregate adjusted bases of such assets immediately after the exchange.
- (k10) There is no indebtedness between Trademark Subsidiary2 and Distributing and there will be no indebtedness created in favor of Distributing as a result of the transaction.
- (l10) The transfers and exchanges will occur under a plan agreed upon before the transaction in which the rights of the parties are defined.
- (m10) All exchanges will occur on approximately the same date.
- (n10) There is no plan or intention on the part of Trademark Subsidiary2 to redeem or otherwise reacquire any stock or indebtedness to be issued in the proposed transaction.
- (o10) Taking into account any issuance of additional shares of Trademark Subsidiary2 stock; any issuance of stock for services; the exercise of any Trademark Subsidiary2 stock rights, warrants, or subscriptions; any public offering of Trademark Subsidiary2 stock; and the sale, exchange, transfer by gift, or other disposition of any of the stock of Trademark Subsidiary2 to be received in the exchange (other than the transfer of Distributing's stock interest in Trademark Subsidiary2 in the Contribution), Distributing will be in control of Trademark Subsidiary2 within the meaning of § 368(c).
- (p10) Distributing will receive stock, securities or other property approximately equal to the fair market value of the property transferred to Trademark Subsidiary2 or for services rendered or to be rendered for the benefit of Trademark Subsidiary2.

- (q10) Trademark Subsidiary2 will remain in existence and retain and use the property transferred to it in a trade or business.
- (r10) There is no plan or intention by Trademark Subsidiary2 to dispose of the transferred property other than in the normal course of business operations.
- (s10) Each of the parties to the transaction will pay its or his/her own expenses, if any, incurred in connection with the proposed transaction.
- (t10) Trademark Subsidiary2 will not be an investment company within the meaning of § 351(e)(1) and § 1.351-1(c)(1)(ii).
- (u10) Distributing is not under the jurisdiction of a court in a title 11 or similar case (within the meaning of § 368(a)(3)(A)) and the stock or securities received in the exchange will not be used to satisfy the indebtedness of such debtor.
- (v10) Trademark Subsidiary2 will not be a personal service corporation within the meaning of § 269A.

Contribution and Distribution

Distributing makes the following representations regarding the Contribution described above in step (xi) and the Distribution described above in step (xii):

- (a11) The indebtedness, if any, owed by Controlled to Distributing after the Distribution will not constitute stock or securities.
- (b11) No part of the consideration to be distributed by Distributing will be received by a shareholder as a creditor, employee, or in any capacity other than that of a shareholder of the corporation.
- (c11) In respect of Business A, the five years of financial information submitted on behalf of Distributing is representative of the present operation of the business, and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.
- (d11) In respect of Business B1 transferred to Controlled, the five years of financial information submitted on behalf of Distributing is representative of the present operation of the business, and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.

- (e11) Following the transaction, Distributing and Controlled will each continue the active conduct of its business, independently and with its separate employees.
- (f11) The distribution of the stock of Controlled will be carried out for the following corporate business purposes: to (i) enhance the success of the businesses by enabling the independent corporations to resolve management, systemic and other problems that arise by the operation of different businesses within the same affiliated group and (ii) resolve capital allocation issues between the core businesses and Business B. The Distribution is motivated, in whole or substantial part, by one or more of these corporate business purposes.
- (g11) The transaction is not used principally as a device for the distribution of the earnings and profits of Distributing or Controlled or both.
- (h11) The total fair market value of the assets transferred by Distributing to Controlled in the Contribution will exceed the sum of (i) the amount of any liabilities assumed (within the meaning of § 357(d)) by Controlled in connection with the exchange, (b) the amount of any liabilities owed to Controlled by Distributing that are discharged or extinguished in connection with the exchange, and (c) the amount of cash and the fair market value of any other property (other than stock and securities permitted to be received under § 361(a) without the recognition of gain) received by Distributing in connection with the exchange. The fair market value of the assets of Controlled will exceed the amount of its liabilities immediately after the exchange.
- (i11) The total fair market value of the assets transferred by Distributing to Controlled in the Contribution will equal or exceed the aggregate adjusted basis of the transferred assets.
- (j11) The total adjusted basis and the fair market value of the assets transferred to Controlled by Distributing in the Contribution each equals or exceeds the sum of (i) the total liabilities assumed (as determined under § 357(d)) by Controlled and (ii) the total amount of money received by Distributing and transferred to its creditors in connection with the reorganization.
- (k11) The liabilities assumed (as determined under § 357(d)) were incurred in the ordinary course of business and are associated with the assets being transferred.
- (l11) The income tax liability for the taxable year in which investment credit property, if any, (including any building to which § 47(d) applies) is transferred will be adjusted pursuant to § 50(a)(1) or (a)(2) (or § 47, as in effect before amendment by Public Law 101-508, Title 11, 104 Stat. 1388, 536 (1990), if applicable) to reflect an early disposition of the property.

- (m11) No intercorporate debt will exist between Distributing and Controlled at the time of, or subsequent to, the Distribution other than indebtedness arising as a result of the Separation Agreements.
- (n11) Immediately before the Distribution, items of income, gain, loss, deduction, and credit will be taken into account as required by the applicable intercompany transaction regulations (See §§ 1.1502-13 and 1.1502-14 as in effect before the publication of T.D. 8597, 1995-2 C.B. 147, and as currently in effect; § 1.1502-13 as published by T.D. 8597). Further, Distributing's excess loss account, if any, with respect to the Controlled stock will be included in income immediately before the Distribution.
- (o11) Payments made in connection with all continuing transactions, if any, between Distributing and Controlled, will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.
- (p11) No two parties to the transaction are investment companies as defined in § 368(a)(2)(F)(iii) and (iv).
- (q11) The Distribution is not part of a plan or series of related transactions (within the meaning of § 1.355-7) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest (within the meaning of § 355(d)(4)) in Distributing or Controlled (including any predecessor or successor of any such corporation).
- (r11) The Distribution will not be a disqualified distribution within the meaning of § 355(d)(2). Immediately after the Distribution: (i) no person (determined after applying § 355(d)(7)) will hold (determined after applying § 355(d)(8)) disqualified stock (defined in § 355(d)(3)) in Distributing that will constitute a 50-percent or greater interest (defined in § 355(d)(4)) in Distributing, and (ii) no person (determined after applying § 355(d)(7)) will hold (determined after applying § 355(d)(8)) disqualified stock (defined in § 355(d)(3)) in Controlled that will constitute a 50-percent or greater interest (defined in § 355(d)(4)) in Controlled.
- (s11) The payment of cash in lieu of fractional shares of Controlled common stock is solely for the purpose of avoiding the expense and inconvenience to Controlled of issuing and maintaining fractional shares and will not represent separately bargained-for consideration. The total cash that will be paid in the transaction to Distributing shareholders in lieu of fractional shares of Controlled stock will not exceed one percent of the total value of the Controlled common stock that will be distributed in the Distribution. The fractional share interests of each Distributing shareholder will be aggregated, and no Distributing shareholder of record will receive cash in an amount equal to or greater than the value of one full share of Controlled stock.

- (t11) All payments of the Cash Amount by Distributing to its creditors will be for debt existing at the time of the Distribution that was not incurred in connection with the decision to effect the transaction.

RULINGS

Sub 1 Merger

Based solely on the information submitted and the representations set forth above, we rule as follows on the Sub 1 Merger:

- (1) The Sub 1 Merger constituted a complete liquidation of Sub 1 under §§ 332 and 1.332-2(d).
- (2) Sub 1 did not recognize any gain or loss on the Sub 1 Merger (§ 337(a)).
- (3) Distributing did not recognize any gain or loss on the Sub 1 Merger (§ 332(a)).
- (4) Distributing's basis in each asset received from Sub 1 in the Sub 1 Merger equals the basis of that asset in the hands of Sub 1 immediately before the Sub 1 Merger (§ 334(b)(1)).
- (5) Distributing's holding period in each asset received from Sub 1 in the Sub 1 Merger includes the period during which that asset was held by Sub 1 (§ 1223(2)).
- (6) Distributing succeeds to and takes into account the items of Sub 1 described in § 381(c), subject to the conditions and limitations specified in § 381, § 382, § 383, and § 384 and the regulations thereunder (§§ 381(a) and 1.381(a)-1).

Sub 2 Liquidation

Based solely on the information submitted and the representations set forth above, we rule as follows on the Sub 2 Liquidation:

- (7) The Sub 2 Liquidation will qualify as a complete liquidation of Sub 2 under § 332.
- (8) Sub 2 will not recognize any gain or loss on the Sub 2 Liquidation (§ 337(a)).
- (9) Distributing will not recognize any gain or loss on the Sub 2 Liquidation (§ 332(a)).

- (10) Distributing's basis in each asset received from Sub 2 in the Sub 2 Liquidation will equal the basis of that asset in the hands of Sub 2 immediately before the Sub 2 Liquidation (§ 334(b)(1)).
- (11) Distributing's holding period in each asset received from Sub 2 in the Sub 2 Liquidation will include the period during which that asset was held by Sub 2 (§ 1223(2)).
- (12) Distributing will succeed to and take into account the items of Sub 2 described in § 381(c), subject to the conditions and limitations specified in § 381, § 382, § 383, and § 384 and the regulations thereunder (§§ 381(a) and 1.381(a)-1).

Sub 3 Conversion

Based solely on the information submitted and the representations set forth above, we rule as follows on the Sub 3 Conversion:

- (13) The Sub 3 Conversion will be treated as a complete liquidation of Sub 3 under § 332.
- (14) Sub 3 will not recognize any gain or loss on the Sub 3 Conversion (§ 337(a)).
- (15) Distributing will not recognize any gain or loss on the Sub 3 Conversion (§ 332(a)).
- (16) Distributing's basis in each asset deemed received from Sub 3 in the Sub 3 Conversion will equal the basis of that asset in the hands of Sub 3 immediately before the Sub 3 Conversion (§ 334(b)(1)).
- (17) Distributing's holding period in each asset deemed received from Sub 3 in the Sub 3 Conversion will include the period during which that asset was held by Sub 3 (§ 1223(2)).
- (18) Distributing will succeed to and take into account the items of Sub 3 described in § 381(c), subject to the conditions and limitations specified in § 381, § 382, § 383, and § 384 and the regulations thereunder (§§ 381(a) and 1.381(a)-1).

Sub 4 Liquidation

Based solely on the information submitted and the representations set forth above, we rule as follows on the Sub 4 Liquidation:

- (19) The Sub 4 Liquidation will qualify as a complete liquidation of Sub 4 under § 332.

- (20) Sub 4 will not recognize any gain or loss on the Sub 4 Liquidation (§ 337(a)).
- (21) Distributing will not recognize any gain or loss on the Sub 4 Liquidation (§ 332(a)).
- (22) Distributing's basis in each asset received from Sub 4 in the Sub 4 Liquidation will equal the basis of that asset in the hands of Sub 4 immediately before the Sub 4 Liquidation (§ 334(b)(1)).
- (23) Distributing's holding period in each asset received from Sub 4 in the Sub 4 Liquidation will include the period during which that asset was held by Sub 4 (§ 1223(2)).
- (24) Distributing will succeed to and take into account the items of Sub 4 described in § 381(c), subject to the conditions and limitations specified in § 381, § 382, § 383, and § 384 and the regulations thereunder (§§ 381(a) and 1.381(a)-1).

Sub 7 Conversion

Based solely on the information submitted and the representations set forth above, we rule as follows on the Sub 7 Conversion:

- (25) The Sub 7 Conversion will be treated as a complete liquidation of Sub 7 under § 332.
- (26) Sub 7 will not recognize any gain or loss on the Sub 7 Conversion (§ 337(a)).
- (27) Sub 6 will not recognize any gain or loss on the Sub 7 Conversion (§ 332(a)).
- (28) Sub 6's basis in each asset deemed received from Sub 7 in the Sub 7 Conversion will equal the basis of that asset in the hands of Sub 7 immediately before the Sub 7 Conversion (§ 334(b)(1)).
- (29) Sub 6's holding period in each asset deemed received from Sub 7 in the Sub 7 Conversion will include the period during which that asset was held by Sub 7 (§ 1223(2)).
- (30) Sub 6 will succeed to and take into account the items of Sub 7 described in § 381(c), subject to the conditions and limitations specified in § 381, § 382, § 383, and § 384 and the regulations thereunder (§§ 381(a) and 1.381(a)-1).

Sub 8 Conversion

Based solely on the information submitted and the representations set forth above, we rule as follows on the Sub 8 Conversion:

- (31) The Sub 8 Conversion will be treated as a complete liquidation of Sub 8 under § 332.
- (32) Sub 8 will not recognize any gain or loss on the Sub 8 Conversion (§ 337(a)).
- (33) Sub 6 will not recognize any gain or loss on the Sub 8 Conversion (§ 332(a)).
- (34) Sub 6's basis in each asset deemed received from Sub 8 in the Sub 8 Conversion will equal the basis of that asset in the hands of Sub 8 immediately before the Sub 8 Conversion (§ 334(b)(1)).
- (35) Sub 6's holding period in each asset deemed received from Sub 8 in the Sub 8 Conversion will include the period during which that asset was held by Sub 8 (§ 1223(2)).
- (36) Sub 6 will succeed to and take into account the items of Sub 8 described in § 381(c), subject to the conditions and limitations specified in § 381, § 382, § 383, and § 384 and the regulations thereunder (§§ 381(a) and 1.381(a)-1).

Sub 6 Conversion

Based solely on the information submitted and the representations set forth above, we rule as follows on the Sub 6 Conversion:

- (37) The Sub 6 Conversion will be treated as a complete liquidation of Sub 6 under § 332.
- (38) Sub 6 will not recognize any gain or loss on the Sub 6 Conversion (§ 337(a)).
- (39) Sub 5 will not recognize any gain or loss on the Sub 6 Conversion (§ 332(a)).
- (40) Sub 5's basis in each asset deemed received from Sub 6 in the Sub 6 Conversion will equal the basis of that asset in the hands of Sub 6 immediately before the Sub 6 Conversion (§ 334(b)(1)).
- (41) Sub 5's holding period in each asset deemed received from Sub 6 in the Sub 6 Conversion will include the period during which that asset was held by Sub 6 (§ 1223(2)).

- (42) Sub 5 will succeed to and take into account the items of Sub 6 described in § 381(c), subject to the conditions and limitations specified in § 381, § 382, § 383, and § 384 and the regulations thereunder (§§ 381(a) and 1.381(a)-1).

TS1 Transaction

Based solely on the information submitted and the representations set forth above, we rule as follows on the TS1 Transaction:

- (43) Distributing will recognize any realized gain on the TS1 Transaction in an amount not in excess of the fair market value of the Note (§ 351(a) and 351(b)(1)). Distributing will not recognize any loss on the TS1 Transaction (§ 351(b)(2)). Sub 5 will not recognize any gain or loss on the TS1 Transaction (§ 351(a)).
- (44) The basis of the stock of Trademark Subsidiary1 received by Distributing in the TS1 Transaction will be the same as the basis of the trademarks in the hands of Distributing at the time of the exchange, decreased by the fair market value of the Note, and increased by the amount of gain recognized by Distributing on the exchange (§ 358(a)(1)). The basis of the stock of Trademark Subsidiary1 received by Sub 5 in the TS1 Transaction will be the same as the basis of the trademarks in the hands of Sub 5 at the time of the exchange (§ 358(a)(1)).
- (45) The basis of the Note in the hands of Distributing will be its fair market value (§ 358(a)(2)).
- (46) The basis of the trademarks transferred to Trademark Subsidiary1 will be the same as the basis of such trademarks in the hands of Distributing and Sub 5, respectively, immediately before the transfer, increased by the amount of gain recognized by Distributing on the exchange (§ 362(a)).
- (47) Trademark Subsidiary1 will not recognize any gain or loss on the TS1 Transaction (§ 1032).

Sub 5 Liquidation

Based solely on the information submitted and the representations set forth above, we rule as follows on the Sub 5 Liquidation:

- (48) The Sub 5 Liquidation will be treated as a complete liquidation of Sub 5 under § 332.
- (49) Sub 5 will not recognize any gain or loss on the actual and deemed distribution of Sub 5's assets to Distributing (§ 337(a)).

- (50) Sub 9 will not recognize any gain or loss on the distribution of cash to Sub 9 in pursuance of the plan of liquidation (§ 332(a), § 332(b)(1) and § 1.1502-34).
- (51) Distributing will not recognize any gain or loss on the actual and deemed receipt of Sub 5's other assets pursuant to the Sub 5 Liquidation (§ 332(a)).
- (52) Distributing's basis in each asset received or deemed received from Sub 5 in the Sub 5 Liquidation will equal the basis of that asset in the hands of Sub 5 immediately before the Sub 5 Liquidation (§ 334(b)(1)).
- (53) Distributing's holding period in each asset received or deemed received from Sub 5 in the Sub 5 Liquidation will include the period during which that asset was held by Sub 5 (§ 1223(2)).

TS2 Transaction

Based solely on the information submitted and the representations set forth above, we rule as follows on the TS2 Transaction:

- (54) Distributing will not recognize any gain or loss on the TS2 Transaction (§ 351(a)).
- (55) The basis of the stock of Trademark Subsidiary2 received by Distributing in the TS2 Transaction will be the same as the basis of the Other Trademark Property in the hands of Distributing at the time of the exchange (§ 358(a)(1)).
- (56) The basis of the Other Trademark Property transferred by Distributing to Trademark Subsidiary2 will be the same as the basis of such property in the hands of Distributing immediately before the transfer (§ 362(a)).
- (57) Trademark Subsidiary2 will not recognize any gain or loss on the TS2 Transaction (§ 1032).

Contribution and Distribution

- (58) The Contribution followed by the Distribution will be a reorganization under § 368(a)(1)(D). Distributing and Controlled each will be "a party to a reorganization" under § 368(b).
- (59) Distributing will not recognize any gain or loss on the Contribution, provided that Distributing distributes the Cash Amount (i) to its creditors for debt existing at the time of the Distribution and that was not incurred in connection with the decision

to effect the transaction, or (ii) to Distributing shareholders either as a dividend or in redemption of Distributing common stock (§ 357(a), § 361(a), § 361(b)(1)(A), and § 361(b)(3)).

- (60) Distributing's aggregate basis in the Controlled stock received in the Contribution will be the same as Distributing's aggregate basis in the contributed assets immediately before the Contribution, decreased by (i) the Cash Amount and (ii) the liabilities assumed by Controlled (§ 358(a) and 358(d)).
- (61) Controlled will not recognize any gain or loss on the Contribution (§ 1032).
- (62) Controlled's basis in each asset received from Distributing in the Contribution will be the same as the basis of that asset in the hands of Distributing immediately before its transfer (§ 362(b)).
- (63) Controlled's holding period in each asset received from Distributing in the Contribution will include the period during which Distributing held that asset (§ 1223(2)).
- (64) Distributing will not recognize any gain or loss on the Distribution (§ 361(c)).
- (65) The Distributing shareholders will not recognize any gain or loss (and will not otherwise include any amount in income) upon receipt of the Controlled stock in the Distribution (§ 355(a)(1)).
- (66) The aggregate basis of the Distributing stock and the Controlled stock in the hands of each Distributing shareholder immediately after the Distribution will be the same as the shareholder's aggregate basis in the Distributing stock held immediately before the Distribution, allocated in the manner described in § 1.358-2 (§ 358(a)(1), (b)(2) and (c)).
- (67) The holding period of the Controlled stock in the hands of each Distributing shareholder will include the holding period of the Distributing stock with respect to which the distribution is made, provided that such Distributing stock is held as a capital asset on the date of the distribution (§ 1223(1)).
- (68) A shareholder who receives cash in lieu of fractional shares of Controlled stock will recognize gain or loss measured by the difference between the amount of the cash received and the basis of the fractional share, as determined above in ruling (66) (§ 1001). Any gain or loss will be treated as capital gain or loss, provided such fractional shares of stock will be held as capital assets on the date of the Distribution (§§ 1221 and 1222).

CAVEATS

We express no opinion about the tax treatment of the Proposed Transactions under other provisions of the Code and regulations or the tax treatment of any condition existing at the time of, or effects resulting from, the Proposed Transactions that are not specifically covered by the above rulings. In particular, no opinion is expressed regarding:

- (i) Whether the Distribution satisfies the business purpose requirement of § 1.355-2(b);
- (ii) Whether the Distribution is used principally as a device for the distribution of the earnings and profits of Distributing or Controlled (see §§ 355(a)(1)(B) and 1.355-2(d));
- (iii) Whether the Distribution and an acquisition or acquisitions are part of a plan (or series of related transactions) under § 355(e)(2)(A)(ii); or
- (iv) Whether any entity described as a disregarded entity actually qualifies as a disregarded entity under § 301.7701-3.

PROCEDURAL STATEMENTS

This ruling letter is directed only to the taxpayer who requested it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of the letter ruling.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representatives.

Sincerely,

Richard K. Passales
Senior Counsel, Branch 4
Associate Chief Counsel (Corporate)